



# CITY OF LODI

## COUNCIL COMMUNICATION

AGENDA TITLE: Public Meeting Pursuant to Government Code §54954.6 to Set a Public Hearing for July 6, 1994 and Receive Public Testimony on Proposed Amendment to the Business License Tax Ordinance

MEETING DATE: May 18, 1994

PREPARED BY: City Attorney

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RECOMMENDED ACTION: Set public hearing for July 6, 1994 and hear public testimony on proposed amendment to business license tax ordinance.

BACKGROUND INFORMATION: Pursuant to Government Code §54954.6, if a City proposes to increase any general tax, it is first necessary to hold a public meeting, at least 45 days prior to such enactment, at which time a date must be set for public hearing and opportunity given for public testimony. If the Council wishes to even have the option of considering an increase to the business license tax, this is a procedural condition which must be complied with. Since there has been a great deal of discussion on this topic recently, and several meetings previously held, it may be advisable to now set a definite day for further consideration of introducing an amendment to the business license tax ordinance.

Government Code §54954.6(2) also requires that at the public meeting, certain information on the proposed increase must be provided to the public. This information includes:

- A. The amount or rate of the tax.
- B. The activity taxed.
- C. Estimated revenue to be raised annually by the tax.
- D. The method and frequency for collecting the tax.
- E. The date, time and location of the required public hearing.
- F. Telephone number and address of the person or agency where additional information can be received concerning the proposed tax.

This information is contained in the report and description of the tax prepared by Finance Director Dixon Flynn, which is provided under separate cover to this Council Communication.

APPROVED \_\_\_\_\_

THOMAS A. PETERSON  
City Manager



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FUNDING: Not applicable

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "BM McNatt", is written over a horizontal line.

Bob McNatt  
City Attorney

BM:pn

cc: City Manager  
Finance

CCBUS.LIC/TXTA.01V

## **MEMORANDUM**

May 17, 1994

**TO:** City Council  
**FROM:** Dixon Flynn, Finance Director  
**SUBJECT:** Amendment of the Business License Tax Ordinance

### **PURPOSE**

This report provides the final recommendations of staff to amend the Business License Tax Ordinance set for public hearing on July 6, 1994 as provided in the Council Communication prepared by the City Attorney for the Council meeting on May 18, 1994.

### **GOALS OF THE PROPOSED ORDINANCE**

- \* **Equity.** Similar businesses are to be treated similarly, should reflect their ability to pay and profitability, and all legitimate businesses will be required to pay a business license tax
- \* **Revenues.** To raise \$1 million for General Fund purposes
- \* **Administration.** Tax collection and payment are to be as easy and simple as possible

### **BACKGROUND**

The staff is recommending that the current Business License Tax Ordinance be amended with an effective date of January 1, 1995 to raise City revenues needed to maintain current City services and to promote economic development and business retention.

#### **Ralph Anderson Study**

In October 1993, the Hutchins Street Square Foundation contracted with Ralph Anderson to review the City's Business License Tax Ordinance and to recommend appropriate changes. The current ordinance was adopted in 1948 after several weeks of discussion and controversy to raise City revenues needed to balance the City budget at that time. This tax became effective January 1, 1949 and has remained unchanged for forty-six years.

The tax rate agreed to at that time was a tax rate based on number of employees and provided the City with annual revenues of \$19,300. The rates adopted by the City are listed below and remain the same to this day:

\$15 for the first employee  
\$3 per employee for the next nine employees  
\$1 per employee for the next forty employees  
\$.50 per employee, over fifty employees

As a flat rate tax, the current business license tax has not kept pace with inflation and the rising cost of providing City services. Today, the revenues are approximately \$90,000 and contribute only .5% of the total general fund tax revenues. This is significantly less than the Statewide average of 5.8%. The current tax revenues do not reflect changing economic conditions nor reflect business volume or ability to pay.

In reviewing the current business tax ordinance, the Ralph Anderson consultant concluded that the current business license tax ordinance:

- \* Places a heavier tax burden on businesses with fewer employees
- \* Places an unfair tax burden on labor intensive businesses
- \* Treats "outside city" businesses differently than businesses providing the same services
- \* Treats similar business differently
- \* Does not provide a business classification system
- \* Does not require all businesses in Lodi to pay a tax

#### **Chamber of Commerce Survey**

In March the Chamber of Commerce conducted a random survey of its members to determine whether their membership would support an increase in the business license tax and the tax rate they would like to see. This table reflects the results of the survey taken in March.

- |   |                     |              |
|---|---------------------|--------------|
| * | Gross receipts tax: | 27% in favor |
| * | Flat rate tax:      | 61% in favor |
| * | No fee increase:    | 10% in favor |
| * | Combination:        | 2% in favor  |

When the survey was conducted by the Chamber, a number of businessmen and women decided that the survey was not being conducted objectively by the Chamber. Accordingly, they conducted an independent survey by circulating a petition to other businessmen and women. Approximately 350 signatures were obtained opposing an increase in the business tax.

#### **Public Workshops**

The City staff has conducted three public workshops with the business community and at least three meetings with interested business groups to review the proposed tax rates and ordinance. Based on these meetings, several changes have been made to the tax rates to reflect the concerns of the business community. Accordingly, the proposed rates are different than the rates proposed in the Ralph Anderson study.

## **PROPOSED ORDINANCE**

Under the proposed amendment to the Business License Tax Ordinance the following issues are considered:

### **Tax rates (Table 1)**

The City Council is provided with an option of selecting one of three tax rate options in Table 1.

### **Estimated revenues (Table 2)**

The estimated revenues for each option is provided in Table 2. Estimated revenues range from \$887,000 under Option 1 to \$539,000 under Option 2.

### **Businesses subject to the business license tax**

Business taxes will be imposed on all businesses, professions, trades, vocations, enterprises, establishments, occupations or callings conducted in the City of Lodi to which a business tax may be lawfully applied using the tax rates in Table 1. New businesses will not pay more than the minimum tax in their first year of business whether located in or outside of the City. The tax will be due and payable annually in January for the prior calendar year except for new businesses which will pay the minimum tax at the time issued.

### **Businesses exempt for the business license tax**

- \* Minors under the age of 18 with gross receipts of less than \$3,000 per year.
- \* Home occupations with gross receipts of less than \$3,000 per year.
- \* Charitable, religious and nonprofit organizations
- \* Businesses exempt by Federal or State statutes, laws, franchise agreements, or other contractual agreements. This includes banks, insurance companies, their agents and other financial institutions, cafe musicians, real estate auctioneers, businesses that manufacture, sell, purchase, possess or transport alcoholic beverages

### **Excluded from the calculation of gross receipts is the following**

- \* All taxes
- \* Discounts, refunds and credits
- \* Passive income from investments, dividends and the occasional sale of property
- \* Bad debts
- \* Amounts received by one party and paid to another party by persons acting as agents, brokers and trustees

  
Dixon Flynn  
Finance Director

Attachments

**BUSINESS LICENSE TAX RATES****Table 1**

<b>Business Classification</b>	<b>Minimum Tax</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Public Utilities Administrative Headquarters Note # 1	\$40	\$40	\$35	\$30
Automobile Dealers Recreation and Entertainment Hotel/Motel Services Note # 1	\$40	\$25	\$20	\$15
In-City Contractors Rental of Residential Property Rental of Non-Residential Property Note # 1	\$40	\$60	\$55	\$50
Professions Note # 1	\$40	\$90	\$75	\$60
<b>Retail and Services</b>				
<b>Flat Rates</b>				
Gross Receipts \$0 to \$200,000	\$40	\$40	\$30	\$20
Gross Receipts \$200,001 to \$500,000	\$90	\$90	\$70	\$50
Gross Receipts \$500,001 to \$900,000	\$150	\$150	\$110	\$80
<b>Gross Receipts Rate</b>				
Gross Receipts \$900,001 to \$5 million	\$540	\$60	\$55	\$50
Gross Receipts \$5 million plus Note # 1	\$4,500	\$90	\$75	\$60
Manufactures Wholesalers Note # 2 and # 3	\$40	\$02	\$015	\$01

**Notes**

# 1: Rates apply per \$1,000 of gross receipts

# 2: Rates apply per square foot of building space occupied

# 3: Not to exceed \$3,000 per business

## BUSINESS LICENSE TAX REVENUES

Table 2

Business Classification	Businesses	Estimated Receipts	Option 1	Option 2	Option 3
Public Utilities Administrative Headquarters	5	\$51,000,000	\$20,400	\$17,850	\$15,300
Automobile Dealers Recreation and Entertainment Hotel/Motel Services	94	\$106,040,000	\$26,510	\$21,208	\$15,906
In-City Contractors Rental of Residential Property Rental of Non-Residential Property	1025	\$170,400,000	\$102,240	\$93,720	\$85,200
Professions	330	\$160,000,000	\$144,000	\$120,000	\$96,000
<b>Retail and Services</b>					
<b>Flat Rates</b>					
Gross Receipts \$0 to \$200,000	1660		\$66,400	\$49,800	\$33,200
Gross Receipts \$200,001 to \$500,000	475		\$42,750	\$33,250	\$23,750
Gross Receipts \$500,001 to \$900,000	220		\$33,000	\$24,200	\$17,600
<b>Gross Receipts Rate</b>					
Gross Receipts \$900,001 plus	158	\$348,000,000	\$208,800	\$191,400	\$174,000
Gross Receipts \$5 million plus	12	\$123,000,000	\$110,700	\$92,250	\$73,800
Manufactures Wholesalers	330	20,000 Sq Ft	\$132,000	\$99,000	\$66,000
Note # 2 and # 3					
<b>TOTAL REVENUES</b>			<b>\$886,800</b>	<b>\$742,678</b>	<b>\$600,756</b>

## Notes

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## **CITY OF LODI**

**Carnegie Forum  
305 West Pine Street, Lodi**

## **NOTICE OF PUBLIC HEARING**

**Date: July 6, 1994**

**Time: 7:00 p.m.**

For information regarding this notice please contact:

**Jennifer M. Perrin**

**City Clerk**

**Telephone: (209) 333-6702**

### **NOTICE OF PUBLIC HEARING**

**NOTICE IS HEREBY GIVEN** that on Wednesday, July 6, 1994 at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a Public Hearing to consider the following matter:

- a) To consider and hear public testimony on proposed amendment to the Business License Tax Ordinance.

Business taxes will be imposed on all businesses, professions, trades, vocations, enterprises, establishments, occupations or callings conducted in the City of Lodi to which a business tax may be lawfully applied using the tax rates in Table 1 (attached). New businesses will not pay more than the minimum tax in their first year of business whether located in or outside of the City. The tax will be due and payable annually in January for the prior year except for new businesses which will pay the minimum tax at the time issued.

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- All taxes;
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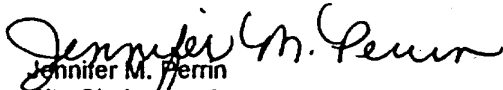


**PUBLIC HEARING NOTICE  
PROPOSED BUSINESS LICENSE TAX  
JULY 6, 1994**

Table 2 (attached) shows the estimated revenue for each of the three options, and it ranges from \$887,00 to \$539,000.

All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

By Order of the Lodi City Council:

  
Jennifer M. Perrin  
City Clerk

Dated: May 18, 1994

Approved as to form:

  
Bobby W. McNatt  
City Attorney

**BUSINESS LICENSE TAX RATES****Table 1**

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